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▶ Data, Voice Growth Drive Comcast in Q1

APRIL 26, 2007

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Comcast Corp. (Nasdaq: CMCSA, CMCSK) revenues rocketed 32 percent to $7.4 billion in the first quarter, pushed ahead by new signups of IP telephony, digital video, and other advanced cable services.

Comcast added a record 1.8 million net revenue generating units (RGUs), up 63 percent year-over-year. The first quarter also marked the third consecutive period in which the MSO set a record for RGU net adds.

Comcast's triple-play bundle of voice, video, and Internet services aided the cause.

The triple play "really is changing the company, and it's the gift that keeps on giving," said Comcast chairman Brian Roberts during Thursday morning's earnings call.

Video

Comcast posted video revenues of $4.4 billion, up 8 percent versus a year ago. The company attributed that rise in part to strengthening uptake of video-on-demand (VOD), digital video recording (DVR), and high-definition television (HDTV) services. Comcast added a record 644,000 digital subs on the quarter, up 82 percent from 355,000.

Executive VP and co-CFO John Alchin said 535,000 of those new digital customers took "advanced services," such as HD and DVRs. He said 5 million, or 38 percent, of Comcast's digital customers take the HD-DVR service.

Thanks to VOD, pay-per-view revenues rose 26 percent to $181 million in the quarter. The entire PPV category has jumped an average of 20 percent each of the last nine quarters, Alchin said.

On the VOD front, Comcast is also looking to expand its "day and date" trials, which provide access to select on-demand titles in the same release window as DVDs. Comcast, which is testing the concept in Denver and Pittsburgh, is "actively talking to the studios about adding a third market," said Comcast Corp. COO and Comcast Cable president Steve Burke. "We're optimistic that in the not-too-distant future we're going to be able to expand beyond two or three markets to the rest of the

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country."

Comcast added 75,000 baalc cable subs in the quarter, pushing the total to 24.2 million.

High-speed Internet

Comcast signed up 563,000 cable modem subs in the quarter, extending its total to 12 million. That's a penetration rate of 26 percent, four points better than a year ago.

"As we had hoped, the triple play is really like a booster rocket to our high-speed business," Burke said.

To keep speeds consistent, Comcast is also exploring node splits in areas highly concentrated with high-speed Internet (HSI) customers. The MSO generally serves 450 homes per node, but is considering splits where HSI penetrations are in the range of 30 to 40 percent.

Roberts talked up the potential of Docsis 3.0, but did not disclose any deployment plans for the emerging platform, which uses channel bonding techniques to push speeds beyond 100 Mbit/s. He said the industry plans to demonstrate the capabilities of Docsis 3.0 on stage at next month's The Cable Show.

Telephony

Comcast voice revenues jumped 88 percent to $353 million, a number offset in part by a $50 million decline in the MSO's fading circuit-switched telephony business.

The operator signed up 571,000 new Comcast Digital Voice (IP telephony) subs in the quarter, giving it a total of 2.4 million CDV customers.

By quarter's end, Comcast's CDV footprint covered 35 million homes, up from 19 million a year earlier. Sixty percent of Comcast's CDV growth in the first quarter came from areas where the service was newly introduced, Burke said.

Commercial Services

Comcast poured $24 million into its business services initiative, but that figure "is expected to scale up in the latter part of the year," Alchin said. The MSO provided guidance in February that it would spend $250 million in 2007 ramping up its small- and mid-sized business services segment.

Capex concerns

Comcast worried some investors in February when it announced it would fuel RGU growth in 2007 by raising capital expenditures to $5.7 billion, from $4.6 billion in 2006. (See Comcast Revs Up Capex.

"But if Q4's results were all about the spending, today's Q1 results were all about the return," said Sanford C. Bernstein & Co. Inc. analyst Craig Moffett in note issued Thursday.

In continuing its mantra that it *takes* money to *make* money, Comcast's capex for the first quarter reached $1.4 billion, up from $967 million a year ago. In the quarter, capex of new service offerings represented about three quarters of that total.

Moffett said advertising was Comcast's "lone weak spot" in the quarter, as revenues per sub came in well below expectations -- at $4.31, compared to Bernstein's forecast of $5.62. He acknowledged that advertising accounts for just 7 percent of Comcast's cable ARPU (average revenue per subscriber).

— Jeff Baumgartner, Site Editor, *Cable Digital News*

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